



August 15, 2024

To Members of the Audit Committee  
Town of Dewey Beach, Delaware

Dear Ladies and Gentlemen:

In planning and performing our audit of the financial statements of the Town of Dewey Beach, Delaware (the Town) as of and for the year ended March 31, 2024, in accordance with auditing standards generally accepted in the United States of America, we considered the Town's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Town's internal control. Accordingly, we do not express an opinion on the effectiveness of the Town's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. We did not identify any deficiencies in internal control that we consider to be material weaknesses. However, as discussed below, we identified certain matters involving internal control and other operational matters that are presented for your consideration. This letter does not affect our report dated August 15, 2024, on the financial statements of the Town. We will review the status of these comments during our next audit engagement. Our comments and recommendations, all of which have been discussed with appropriate members of management, are intended to improve the internal control or result in other operating efficiencies. Our comments are summarized as follows:

### **Trial Balances**

During the initial stage of our audit, we received two out of the three trial balances requested: the General Fund trial balance and the Beach Replenishment Fund trial balance. This is an improvement over the prior year; however, a new complication resulted from getting the trial balances. We received two trial balances from both the outside accountant and the Town's accountant for the same statement that did not match. The beginning year balances did not agree as entries posted were not consistent between the two systems. It is imperative that the outside accountant either has access to the Town's accounting system or regular and timely reconciliations between the two systems are performed. As in previous year, the Town needs to provide three separate trial balances (Government-Wide, General Fund, Beach Replenishment Fund) in order to prepare the following:

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	Statements	Measurement Focus
	<b>Government Wide Statements</b>	
1.	Statement of Net Position	Economic-Accrual
	Statement of Activities	Economic-Accrual
	<b>Fund Financial Statements</b>	
2.	General Fund-Balance Sheet	Current-Modified Accrual
	General Fund-Statement of Revenue, Expenditure and Change in Fund Balance	Current-Modified Accrual
3.	Beach Replenishment Fund-Balance Sheet	Current-Modified Accrual
	Beach Replenishment Fund-Statement of Revenue, Expenditure and Change in Fund Balance	Current-Modified Accrual

The three different trial balances are necessary due to the different measurement focus concepts (accrual vs. modified accrual) as noted above.

In addition, we noted that the Town prepares one trial balance to provide reports on a monthly basis. It is our recommendation that you prepare the General Fund (modified accrual) and the government-wide (full accrual) information in order to be consistent with the audited financial statements and accounting principles generally accepted in the United States of America. It is not necessary to report on the beach replenishment fund monthly as it is comparatively small. The conversion entries to take the fund financial statements to the government-wide statements are crucial to having consistent reporting as the statements are presented to the Board and posted on the Town's website. Alternatively, you may want to consider preparing specialized, focused reports as you may not need all the information monthly. If you choose to continue presenting monthly financial statements, you may want to utilize templates for these entries, which we can help develop. This will also assist in facilitating your year-end process and enable the Town to implement and analyze the fund balance policy in an efficient and effective manner.

### **Fixed Assets System**

During the audit, reconciling items were necessary in order to correctly present the fixed asset activities and balances. In addition to other reconciling items, architectural and other expenditures related to the New Town Hall should have been capitalized in the trial balance as Construction in Progress and included in the fixed asset detail listing as additions. As the Town has begun the Town Hall Project, it is imperative that fixed asset activity and the related depreciation be correctly recorded in a timely manner. Review of expenditures related to the Town Hall Project must be regularly reviewed and capitalized as construction in progress. It is our recommendation that fixed assets be input and tracked in an appropriate fixed asset software and reviewed regularly by both the Town's accountant and the outside accountant. This is necessary to ensure correct reporting throughout the year and to avoid delays in providing correct trial balances at the beginning of the audit. In order to address the fixed assets system and trial balances recommendations above, we believe you will need additional resources in order to implement these comments.



**Status of Prior-Year Comments**

Policies and Procedures

In progress.

IT

Resolved; however ongoing software upgrades are in process as evolving security needs require consistent updates.

Budget Controls

Resolved.

Fund Balance

In progress.

We believe that the implementation of these recommendations will provide the Town with a stronger system of internal control while also making its operations more efficient. We will be pleased to discuss the details of these recommendations with you at your convenience.

This communication is intended solely for the information and use of management, the members of the Audit Committee, others within the organization, and the Town Council and is not intended to be, and should not be, used by anyone other than these specified parties.

Respectfully,

A handwritten signature in black ink that reads 'Mitchell Titus, LLP'.

August 15, 2024